

**Council Meeting: July 23, 2013**

SUBJECT: Approval of Budget Modification No. 1 to Appropriate Additional Funds to the Department of Community Development's Building, Planning, and Housing Divisions for FY 2013/14

BACKGROUND

The continued strong development activity in the City has resulted in a significant increase in workload for the Community Development Department's Building and Planning staff. Additional resources are required to maintain service levels. Increased development-related revenue can fund these additional resources. In addition, the Housing Division of the Community Development Department has received final notice of its federal Community Development Block Grant (CDBG) and HOME funding allocations. These allocations were greater than originally planned, and the additional funding needs to be appropriated.

DISCUSSION**Building and Planning**

Development activity has increased significantly in the last several years, which is a reflection of the strong recovery in both the residential and commercial sectors in Silicon Valley, particularly in Sunnyvale. While the pace of development will likely subside in upcoming years, an above-average level of construction activity is expected to continue for an extended period of time. As such, staff has evaluated the long-term staffing needs for both the Building and Planning Divisions and recommends additional staffing in each division in order to continue to provide excellent customer service and meet Sunnyvale's highly-regarded performance measures for responsiveness. Specifically, the additional appropriation being requested will:

- Add a full-time Assistant Planner
- Increase the hours for the Casual Manager in Planning by 200 hours
- Add 200 hours for staff overtime in Planning
- Add a full-time Building Inspector II
- Add 2,160 contract hours into a special project for permitting services

The net increase in costs for FY 2013/14 for these changes is \$430,033, and funds are available from development-related revenue that came in higher than budgeted.

Housing

The Housing Division of the Community Development Department has recently received information from the U.S. Department of Housing and Urban Development (HUD) about its final grant allocations for FY 2013/14 for both its CDBG and HOME grants. In both cases, the final grant amount is higher than the estimate made for the FY 2013/14 Adopted Budget, and as such, these additional grant funds need to be appropriated. The CDBG grant increased from the original estimate by \$146,609, setting the total grant amount for FY 2013/14 at \$1,063,453. Further, loan repayments in the CDBG Fund have been higher than expected, providing an additional \$58,264 available for appropriation in this fund. The HOME grant increased by \$20,413 and now totals \$315,413 for FY 2013/14. The additional funds will be utilized for several purposes, including increasing the allocation to outside groups to the maximum amount; providing more program administration, including a \$4,300 increase to the fair housing services grant; increasing funding proportionately for action plan-based projects, which include tenant-based rental assistance, ADA curb retrofits, and the workforce development program; and reallocating personnel costs that were originally funded by the Housing Mitigation Fund to the CDBG and HOME funds. An increase of nearly \$64,000 in CDBG funding for the workforce development program will allow NOVA to participate in the program by providing long-term career counseling and training to clients.

FISCAL IMPACT

Included in the General Fund's long-term financial plan for the FY 2013/14 Adopted Budget was a new reserve, the Development Enterprise Reserve. This reserve is funded by development-related revenues in excess of original projections in anticipation of utilizing these monies to provide initial funding to a new enterprise fund that will capture all development-related revenues and expenses. This reserve is expected to end FY 2012/13 with approximately \$3.6 million, and when the new development enterprise fund is established in FY 2014/15, these funds, along with any excess funds from FY 2013/14, will be transferred to the new fund. Given the fact that the request for additional staffing in the Building and Planning Divisions in the Community Development Department is related to development activity, staff recommends funding this additional appropriation from the Development Enterprise Reserve. Utilizing the Development Enterprise Reserve for this additional appropriation ensures the Budget Stabilization Fund is not impacted and the General Fund remains in balance.

The net fiscal impact of the changes to the Housing Division operating and projects budget is an increase to the overall appropriation to the CDBG and HOME Funds and a reallocation of expenditures from the Housing Mitigation Fund to the CDBG and HOME Funds. There is no impact to the General Fund for any of these actions.

Budget Modification No. 1 has been prepared to effectuate the changes discussed above.

**Budget Modification No. 1
FY 2013/14**

	<u>Current</u>	<u>Increase (Decrease)</u>	<u>Revised</u>
GENERAL FUND			
<u>Expenditures</u>			
Program 233 – Building Safety	\$2,823,399	\$143,406	\$2,966,805
Program 234 – Planning	\$2,314,538	\$151,627	\$2,466,165
Project 829760 – Building Permitting	\$0	\$135,000	\$135,000
<u>Reserves</u>			
Development Enterprise Reserve	\$3,566,240	(\$430,033)	\$3,136,207
HOME FUND			
<u>Revenues</u>			
Total Revenues	\$1,748,515	\$20,413	\$1,768,928
<u>Expenditures:</u>			
Program 235 – Housing and CDBG Program (including indirect costs)	\$108,541	\$5,103	\$113,644
Project 828750 – Tenant Based Rental Assistance (HOME)	\$200,000	\$15,310	\$215,310
CDBG FUND			
<u>Revenues</u>			
Total Revenues	\$1,166,844	\$204,873	\$1,371,717
<u>Expenditures</u>			
Program 235 – Housing and CDBG Program (including indirect costs)	\$449,983	\$29,322	\$479,305
Project 827550 – Outside Group Funding Support [CDBG]	\$174,300	\$30,200	\$204,500
Project 829560 – Sunnyvale Workforce Development	\$220,000	\$63,800	\$283,800
Project 900987 – ADA Curb Retrofit	\$368,746	\$81,551	\$450,297
HOUSING FUND			
<u>Expenditures</u>			
Program 235 – Housing and CDBG Program (including indirect costs)	\$785,970	(\$23,161)	\$762,809

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

RECOMMENDATION

Staff recommends approval of Budget Modification No. 1 to appropriate additional funds to the Department of Community Development's Building, Planning, and Housing Divisions for FY 2013/14.

Reviewed by:

Grace K. Leung, Director of Finance

Prepared by: Drew Corbett, Assistant Director of Finance

Reviewed by:

Hanson Hom, Director of Community Development

Approved by:

Gary Luebbbers, City Manager